Pacific Basin Shipping Limited
太平洋航運集團有限公司*

Press Release

Pacific Basin Shipping Limited Announces 2004 Annual Results

Hong Kong, March 1, 2005 – Pacific Basin Shipping Limited ("Pacific Basin" or "the Company"; SEHK: 2343), one of the world's leading dry bulk shipping companies, today announced the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2004.

Key Highlights

US$ millions	Year Ended 31 December 2004 2004	2003
Total Turnover	**234.3**	54.2
Profit Attributable to Shareholders	**103.5**	22.7
Basic Earnings per share (US cents)	**9.59**	2.85
Basic Earnings per share (HK cents)	***74.80***	*22.23*

- Proposed final dividend of HK$0.16 per share, giving total dividend of HK$0.24 per share in respect of the results for the seven months ended 31 December 2004
- Fleet expansion in 2004 drives 82% growth in vessel revenue days to 10,000 (2003: 5,500) with an average rate earned of US$17,900 per vessel per day (2003: US$9,800)
- The fleet today stands at 47 vessels with an average age of 5 years (Handysize: 34 owned, 7 on long-term charters and 4 managed; Handymax: 2 owned)
- The 2004 fleet expansion provides 43% growth in 2005's Handysize vessel revenue days to 14,200 (before further planned fleet expansion)

*For identification purposes only.

The combined effect of the reorganisation and listing of the Group on the Hong Kong Stock Exchange in July 2004 (the "Listing"), its expanded fleet, business strategy and the level of the freight market is that Group profits for the year ended 31 December 2004 increased to US$103.5 million from US$22.7 million in 2003 on turnover of US$234.3 million compared with US$54.2 million in 2003. Basic earnings per share rose to 9.59 US cents (74.80 HK cents) compared with 2.85 US cents (22.23 HK cents) in 2003. During the year, the Company operated an average of 28 vessels (rising to 41 by the end of the year), providing a total of just over 10,000 revenue days achieving average daily income of almost US$17,900 per vessel, compared with 15 vessels providing 5,500 revenue days at an average rate of US$9,800 in 2003.

Commenting on the Company's full-year results, Group Chairman Christopher Buttery said:

"We are pleased to present a satisfactory first set of annual results after a year which has been a very significant one for the Group. We completed a successful reorganisation and Listing on the Hong Kong Stock Exchange in July 2004 and the capital we raised allowed us to undertake a substantial fleet expansion. This, in turn, enabled us to enlarge the scale of our business operations to meet the increasing demand from our customers for the freight services we provide. During the year the freight market for dry bulk shipping has been very strong, with owners and operators earning favourable rates."

Dividend

The Group's policy is to pay out by way of interim and final dividends not less than 50% of profits available for distribution in each financial year. For 2004, dividend payments are based on the results for the period from 1 June to 31 December 2004, because all retained earnings up to 31 May 2004 were paid out to shareholders of the Company prior to the reorganisation of the Group and the Listing.

In view of the above policy, the Board has recommended a final dividend of HK$0.16 per share for the year ended 31 December 2004 to be paid on 6 May 2005. When this proposed final dividend is aggregated with the mid-period interim dividend of HK$0.08 per share declared on 13 December 2004, the total payout of HK$0.24 per share represents 56% of the Group's profits for the seven months ended 31 December 2004. Pacific Basin's decision to recommend a total dividend above the 50% payout level is a reflection of the strength in the Company's performance, profits and cashflows, particularly in the final quarter of 2004, and it's optimism given the strong start to the current year.

Business Performance

2004 was an outstanding year for the industry as a whole, with the three principal sectors of shipping (container, tanker and dry bulk) each experiencing strong demand and tight supply conditions, driving freight rates and vessel prices to historical highs. The dry bulk sector was in particular a beneficiary of economic growth and industrial expansion in Asian economies, especially in Japan, China and South Korea, the Group's main cargo delivery destinations, where the consumption of primary raw materials created significant additional shipping requirements. This pattern, set against a highly utilised supply base, also drove up rates in the Handysize market, where spot rates were above US$15,000 per day for most of the year and in excess of US$20,000 for extended periods in the second and fourth quarters.

Through Pacific Basin's International Handybulk Carriers ("IHC") pool, the Company has established a market position and a reputation as the leading supplier of freight services provided directly to the major commodity companies predominantly in the Pacific, backed by a fleet of modern Handysize vessels, a comprehensive network of offices around the region and a team of dedicated and experienced industry professionals.

Pacific Basin specialises in shipping a broad range of bulk commodities, with forestry products, cement, fertilizers, steel and grain representing 70% of 10.7 million tonnes of cargoes carried by IHC pool vessels in 2004. This is performed with the largest fleet of modern Handysize ships in the Pacific.

A modern, standardised fleet is important to the securing of back haul cargoes which, when combined with front haul voyages, can be used to increase vessel utilisation and therefore improve the overall rates earned.

In tandem with fleet expansion, Pacific Basin has in the last year opened new offices in Melbourne, Shanghai and Vancouver to provide local back up for the main operational centres in Hong Kong and London. The Company's shore-based staff now number some 225 employees, up from 175 on 30 June 2004.

Liquidity and Financial Resources

Net cash generated by operating activities was US$125.7 million in 2004 and US$35.8 million in 2003.

As at 31 December 2004, the Group had working capital of US$18.3 million excluding long-term bank loans repayable within one year of US$36.1 million and the primary source of liquidity was US$41.7 million of bank balances and cash.

The indebtedness of the Group solely comprises bank borrowings which the Group monitors closely to ensure a smooth repayment schedule to maturity. As at 31 December 2004, the Group had total outstanding borrowings of approximately US$ 371.0 million, comprising current portion of long-term secured bank borrowings of approximately US$36.1 million and long-term secured bank borrowings of approximately US$334.9 million all expiring in 2012.

Outlook

2005 has started positively reflecting the continuation of the very strong market for dry bulk vessels. Handysize market rates have remained above US$20,000 per day, apart from a seasonal dip over Chinese New Year from which rates have since rebounded, and the demand outlook for bulk commodities and economic indicators in China, Japan and South Korea remain encouraging.

With shipyard orderbooks full for the next two to three years, the Company is confident that there will be only modest newbuilding deliveries for its sector and manageable deliveries for dry bulk as a whole. The supply picture cannot deteriorate in the short term. Until a fundamental change becomes evident, the Company believes that rates will continue to be healthy and supported at a higher base than has been the case historically. Additionally, until the short-term tightness between demand and supply is alleviated, the conditions that created the peak demand rate spikes in the first and fourth quarters of 2004 remain in place.

Since the end of 2004, Pacific Basin has taken delivery of two further vessels bringing its fleet today to 47 vessels (Handysize: 34 owned, seven on long-term charters and four managed; Handymax: two owned) with an average age of five years.

Additionally, the Company has entered into transactions to develop and improve its fleet configuration including:

- entering into an agreement to acquire one modern Handysize vessel; and
- entering into agreements to sell four vessels (two existing vessels and two newbuildings) and charter them back, thereby retaining operational control of them.

As a result of these transactions and assuming that the vessels deliver to their new owners as expected, the Pacific Basin fleet will expand to 48 vessels (Handysize: 33 owned, nine on long-term charters and four managed; Handymax: one owned and one on long-term charter). The Company's Handysize revenue days will increase to 14,200, with 59% cover at US$17,300 per day and its two Handymaxes will provide a further 700 revenue days which are 100% covered at US$8,450 per day. The Company will still have five newbuilding vessels on order, with three to come into the owned fleet and two into the long-term chartered fleet as well as the purchase options that it holds over seven of the vessels in the chartered fleet.

In conclusion, with positive demand and supply fundamentals for the market, with its 2004 fleet expansion driving growth into 2005 and with good contract cover at attractive rates for this year and into 2006, the Company remains optimistic about the outlook for the dry bulk shipping market generally and for the prospects for its business in particular.

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The Company

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 US$'000	2003 US$'000
Turnover	234,266	54,188
Bunkers, port disbursement and other charges	(45,383)	-
Turnover on a time charter equivalent basis	188,883	54,188
Other revenues	431	2
Direct costs	(70,715)	(26,214)
General and administrative expenses	(6,881)	(469)
Operating profit	111,718	27,507
Finance costs	(10,215)	(4,821)
Share of loss of an associated company	(10)	-
Share of profits of jointly controlled entities	2,504	-
Profit before taxation	103,997	22,686
Taxation	(485)	-
Profit attributable to shareholders	103,512	22,686
Dividends	88,797	13,900
Basic earnings per share	US 9.59 cents	US 2.85 cents
Diluted earnings per share	US 9.55 cents	N/A

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2004

	2004 US$'000	2003 US$'000
Non-current assets		
Fixed assets	544,194	200,777
Goodwill	25,256	-
Interests in jointly controlled entities	10,657	-
Interest in an associated company	1	-
Investment securities	200	-
Deferred loan arrangement fees	855	633
Restricted bank deposits	4,150	2,400
	585,313	203,810
Current assets		
Inventories	6,564	528
Trade receivables	7,655	-
Other receivables	10,633	2,620
Bank balances and cash		
- pledged	1,910	-
- unpledged	41,651	5,744
	68,413	8,892
Current liabilities		
Trade payables	3,730	-
Other payables	31,585	27,955
Current portion of long-term bank loans	36,133	10,869
Dividend payable	12,995	-
Taxation payable	1,801	-
	86,244	38,824
Net current liabilities	(17,831)	(29,932)
Total assets less current liabilities	567,482	173,878
Financed by:		
Share capital	126,701	79,502
Retained profits		
Proposed dividend	25,990	-
Others	30,703	15,988
Other reserves	49,242	(56,606)
Shareholders' funds	232,636	38,884
Non-current liabilities		
Long-term bank loans	334,846	134,994
	567,482	173,878